

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Oak Ridge Financial Services, Inc./Bank of Oak Ridge

Point of Contact:	Thomas W Wayne	RSSD: (For Bank Holding Companies)	2903123/3587427
UST Sequence Number:	381	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	7,700,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 30, 2009	City:	Oak Ridge
Date Repaid ¹ :	N/A	State:	North Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Although our total loans decreased slightly at year end 2010 to year end 2011, commercial loans to small businesses increased from \$34.5 million to \$36.6 million, and residential first and second lien mortgage loans increased from \$74.0 million to \$81.4 million.

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X To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

From December 31, 2010 to December 31, 2011, commercial loans to small businesses increased from \$34.5 million to \$36.6 million, and residential first and second lien mortgage loans increased from \$74.0 million to \$81.4 million.

X Increase securities purchased (ABS, MBS, etc.).

Available-for-sale investment securities increased from \$48.3 million to \$51.2 million from December 31, 2010 to December 31, 2011. The increase was largely concentrated in municipal securities.

X Make other investments.

Even with lower profitability in 2011 as compared to 2010, the Company continued to support local charities in its geographic area.

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X Increase reserves for non-performing assets.

The Company increased its allowance for loan loss slightly from December 31, 2010 to 2011.

X Reduce borrowings.

During 2011 the Company repaid \$9 million in FHLB advances.

X Increase charge-offs.

The Company charge-offs increased from \$1.8 million in 2010 to \$4.0 million in 2011.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

Although the Company did downstream \$3.5 million in capital to the Bank during 2011, the Company still held approximately \$3.3 million in non-leveraged capital at the holding company level.,

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The CPP helped the Company remain an independent locally managed institution during a period of time in which capital is hard to raise at prices that are not dilutive to existing shareholders.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

During 2011, the holding Company's bank was able to fund a \$900,000 ESOP contribution which may serve as one method that will allow the Company to repay CPP funds. Had the Company not had stable capital levels it might have not had this option. Additionally, the capital has allowed the Company to make future investments in loans and investment securities to cover the increased costs of operation due to heavy regulatory burdens that disproportionately affect smaller bank holding companies like ours.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.